

# News Release



***Controller of the State of California - Kathleen Connell***

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***FOR IMMEDIATE RELEASE***

## ***CONNELL RELEASES TAX REDUCTION PLAN***

### ***Those In Lowest 50 Percent of Adjusted Income*** ***Would Pay No State Income Tax***

SACRAMENTO (May 10, 2000) ----- State Controller Kathleen Connell today released a long-awaited plan to simplify California's complex tax system. Under the plan, recommended by The Controller's Tax Simplification Task Force, nearly every California taxpayer would see lower taxes. **Those in the lowest 50 percent would pay no state income tax at all.**

"Two million Californians would no longer pay any state income tax," Connell noted. Those with adjusted income of approximately \$25,500 or less would owe no state income tax. Those with incomes above \$25,500 benefit from a tax reduction resulting from widening of the tax brackets and a targeted middle class tax credit. Businesses in California would also gain if the Task Force's recommendations were implemented. "Tax policy is one of those critical elements affecting California's economy. Specifically, the simplification of tax policy has been long-overdue for taxpayers," said Connell.

The Task Force would broaden the current tax brackets so that taxpayers will not be pushed into higher tax rates too quickly. The Task Force also recommends targeting the broad middle class for relief through a tax credit for filers with adjusted gross income up to \$50,000 and \$100,000 for joint returns.

As the Task Force recognizes, the need to stimulate business in California is constant and continuing. Recommendations to advance that goal include adopting a single "sales" factor apportionment formula; eliminating taxes or fees, other than a minimum tax, on pass-through business entities, such as Subchapter S corporations and limited liability companies; conforming to federal law with respect to 100% of net operating loss carry forwards; and allowing utilization of credit on a unitary group basis.

Connell recommended a total of approximately \$4 billion in tax reforms, consisting of \$3.5 billion for individual taxpayers and about \$600 million for businesses.

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## Tax Reduction Plan/ 2-2-2

In the report, State Controller Connell and the Task Force identify four specific tax policy goals of any changes in state tax policy: Conformity, Simplicity, Fairness, and investment. All Californians would benefit by making the state tax requirements conform to the federal tax code. “The whole idea is to make tax paying simpler so everyone knows that they are paying their fair share,” said Connell. “No more. No less,”

The Tax Simplification Tax Force includes financial experts from some of California’s leading companies including Cisco Systems, Oracle, MiniMed, Arthur Andersen LLP, The Times Mirror Company, and The Fox Entertainment Group. Members are listed in the back of the report.

Connell, the state’s chief financial officer commented “I hope that the work of this Task Force will spark fruitful discussions on tax reform throughout the state and help fashion tax policy reform that benefits the long-term economic well-being of every Californian.”

***For more information, visit the State Controller’s Web site at [www.sco.ca.gov](http://www.sco.ca.gov)***

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